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SUBJECT: ZAMBIA-DECEMBER ECONOMIC NEWS ROUNDUP

REFS: LUSAKA 1591

1. SUMMARY OF TOPICS

- Legacy Holdings project proposal gets partial OK
- SME market on Lusaka Stock Exchange?
- MOFNP releases Medium Term Expenditure Framework
- Lilayi Housing construction to begin in early 2007
- Credit reference agency to open in 2007
- ECZ finds KCM liable for pollution, orders cleanup
- ZNCB reduces base lending rate

Legacy Holdings project proposal gets partial OK

12. The Environment Council of Zambia (ECZ) announced on December 13 that it approved only part of the massive tourism project in Mosi-oa-Tunya, the country's smallest national park, near Livingstone and Victoria Falls, proposed by the South Africa-based Legacy Hotels group (Reftel). The ECZ approved the construction of two five-star hotels on the northern--rather than the proposed southern--part of the Maramba River. The ECZ noted that the southern part of the Maramba River is an ecologically sensitive area and a major animal corridor, and it rejected outright the proposed construction of an 18-hole golf course and 450 golf villas, because of the national park's small size and the anticipated ecological disruption. The Chairman of Legacy Holdings Zambia (LHZ) later told local media that the project was being redesigned in line with the ECZ approval, and that LHZ would proceed with the construction of the two hotels.

Source: The Post, December 14 and December 26

SME market on Lusaka Stock Exchange?

13. Acting Managing Director of the Lusaka Stock Exchange (LuSE) Francis Kakinga told participants in a December 8 USAID-supported workshop on access to agricultural credit that the LuSE is considering establishment of an alternative market to list Small and Medium Enterprises (SMEs). By offering lower listing and registration fees, such a market will offer SMEs a way to raise financing at competitive rates. Kakinga also noted that the LuSE is looking into establishing a commodities trading market.

Source: Kakinga's presentation on December 8, and the Post, December 13

Ministry of Finance and National Planning releases Medium Term Expenditure Framework

14. Secretary to the Treasury Evans Chibiliti released the GRZ's 2007-2009 Medium Term Expenditure Framework (MTEF) in the run-up to the President's presentation of the full budget in early 2007. The MTEF provides a context and framework for the budget and puts total 2007 spending at 11 trillion Kwachas (USD 2.75 billion). Its stated macroeconomic objectives are to: accelerate pro-poor economic growth; stabilize inflation at the single-digit level; achieve financial and exchange rate stability; and sustain a viable balance of payments and external and domestic debt position. The MTEF also

spells out the GRZ's intention to generate more revenues through tax policy and administration reforms, but it provides no detailed plan. It notes anticipated increases in tax collection from Kw 6.6 trillion in 2006 to Kw 7.7 billion in 2007.

Source: Medium Term Expenditure Framework document

Lilayi Housing construction to begin in early 2007

15. Construction of 5,000 housing units by Lilayi Development Holdings in a southern Lusaka location will begin in early 2007. The Lilayi Housing project consists of seven phases to be carried out over about five years. Stanbic Bank is providing 15 year mortgages for buyers, and USAID and OPIC are providing technical support, credit guarantees and financing for the project.

Source: The Post, December 18

Credit reference agency to open in 2007

16. Sherry Thole, president of the Bankers Association of Zambia, announced that Zambia's first credit reference bureau would open in January 2007, and would be run by the Credit Reference Bureau of Kenya. Banks and other financial institutions will share information on clients' borrowing and repayment records. Such data will be of value to lenders as they evaluate creditworthiness of potential borrowers.

Source: The Post, December 20

ECZ finds KCM liable for pollution, orders cleanup

17. The Environmental Council of Zambia (ECZ) ordered Konkola Copper Mines (KCM) to carry out clean-up and other measures to address the

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pollution caused by a broken pipe and an acid spill from KCM's tailings leach plant (Ref B). The ECZ found KCM liable for polluting the Kafue River in November 2006, and opted to order KCM to take remedial measures rather than to pursue criminal charges against KCM.

Source: Daily Mail, December 23

ZNCB reduces base lending rate

18. The Zambian National Commercial Bank announced in a press release that it would reduce its base lending rate from 20 to 15 percent, effective January 1, 2007, making its base rate "the lowest on the market," and demonstrating the bank's "commitment to national development by providing affordable finance to productive sectors of the economy. In a media briefing on December 27, Bank of Zambia Governor Caleb Fundanga noted that "interest rates are still high." He commended the ZNCB decision and said "I hope all the commercial banks will look at revising their interest rates in the coming year."

Source: The Post, December 27 and 28.

MARTINEZ